Eldorado Nuclear Limited

Annual Report 1981

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The Company

Eldorado Nuclear Limited is a commercial federal Crown corporation, primarily engaged in the mining, refining and conversion of uranium fuel for the generation of electricity in Canada and other countries.

The Company also produces depleted uranium metal at Port Hope for radiological shielding and other applications.

The exploration division, research and development division and the head office are located in Ottawa.

The Company has two wholly-owned subsidiaries: Eldorado Aviation Limited services the mining division and Eldor Resources Limited is engaged in developing new uranium properties in northern Saskatchewan. Both are located in Saskatoon.

The economic objective of Eldorado Nuclear is to achieve and sustain a high level of profitability and to provide an attractive return on Company investments.

Highlights

Financial ($ in thousands)	1981	1980	1979
Sales	$ 71,888	$ 91,116	$111,498
Earnings (loss) before taxes and extraordinary item	$ (1,891)	$ 5,440	$ 6,093
Net Earnings (loss)	$(129,147)	$ 1,506	$ 398
Return on capital employed	(24.7%)	0.5%	0.1%
Capital expenditures	$ 75,111	$ 53,949	$ 56,296
Working capital (deficiency)	$ (33,301)	$ (8,310)	$ 18,376
Long-term debt	$ 265,923	$204,990	$183,093
Shareholder's equity	$ 252,463	$ 81,610	$ 80,104
Production (in thousands)			
Uranium oxide (lbs. U_3O_8)	975	1,100	1,006
Uranium hexafluoride (lbs. U)	10,256	9,361	9,890
Uranium dioxide (lbs. U)	2,950	2,127	2,919
Employees at year end			
Total	1,653	1,737	1,610
Payroll and benefits ($ in thousands)	$ 52,606	$ 47,906	$ 42,485

Report to the Shareholder

The Honourable Marc Lalonde,
P.C., Q.C., M.P.,
Minister of Energy,
Mines and Resources.

Dear Sir:

On behalf of the Board of Directors, I hereby present the Annual Report of Eldorado Nuclear Limited and its wholly-owned subsidiaries, Eldorado Aviation Limited and Eldor Resources Limited, for the fiscal year ended 31 December 1981.

Gross revenue from the sale of the Company's products and services amounted to $71.9 million in 1981, a decline from $91.1 million in 1980. The reduction resulted primarily from agreements with some foreign electrical utility customers to allow them to defer taking delivery of uranium concentrates under existing contracts until later years. In addition, there was a continuing reduction in demand for uranium in the world spot market, which in the past had provided significant opportunities for Eldorado to sell inventory.

Consolidated net loss for the year, prior to an extraordinary expense, amounted to $1.5 million, compared with a profit of $1.5 million in 1980. This loss was the first reported by the Company since 1973 and is largely due to the deteriorating economics of the Beaverlodge mine and mill in northern Saskatchewan, as well as the increased cost of borrowing money to finance the Beaverlodge Operations.

There have been some significant changes since 1978 in the conditions under which the Beaverlodge facilities have been operating. The grade of ore has been declining steadily, resulting in a 31 percent increase in the amount of ore which has had to be mined and milled to produce a pound of uranium concentrates. The mining industry in Canada has been subjected to exceptionally high rates of inflation. This is especially true for remote underground operations such as Beaverlodge, where the cost per ton of ore mined has risen at an average annual compound rate of 16.5 percent in the past three years. Meanwhile, the world spot market price for uranium has fallen by almost 60 percent in real terms since 1979 and opportunities for new sales in the immediate future are limited.

Following a thorough re-assessment of the economic viability of the mine and mill in light of the current cost and market trends, the Board of Directors decided on November 24, 1981 to close the Beaverlodge Operations, effective June 30, 1982, because it was no longer economic.

This decision resulted in an extraordinary expense of $127.6 million, bringing the total net loss for the year to $129.1 million. The extraordinary expense includes the write-off of the net book value of the assets of the Beaverlodge Operations, the estimated cost of employee termination and relocation allowances, decommissioning the facilities plus the operating costs that exceed the net realizable value of the anticipated 1982 production.

Following the shutdown announcement, a proposal was submitted to the regulatory authorities for decommissioning the Beaverlodge mine and mill. Eldorado will work closely with regulatory officials to ensure that the long-term impact on the environment is minimized. While some work is scheduled to commence in the Spring, decommissioning of current production facilities will start as soon as production ceases.

Financing

A very significant event in Eldorado's growth occurred in March 1981 when the Government of Canada increased its equity investment in the Company by $300 million. This was the first infusion of equity in 35 years.

Rather than invest cash, the Shareholder transferred the assets of Uranium Canada, Limited, a dormant federal Crown corporation, to Eldorado in return for $200 million of cumulative redeemable preferred shares and $100 million of common shares. The assets transferred to Eldorado consisted of 14.5 million pounds of uranium concentrates, of which 1.5 million pounds was on loan to Eldor Resources.

The transaction reduced Eldorado's debt level from $2.51 for each dollar of equity invested by the Shareholder to 49 cents. This investment has materially improved the Company's ability to finance the major expansion programs now in progress.

During 1981, Eldorado raised approximately $168 million through a combination of public and private bond issues in foreign capital markets at an average annual interest rate of 10 percent. This increased the outstanding debt at year-end to $1.10 cents per $1 of equity, a debt/equity ratio which is comparable to that of other resource development companies.

The financing program sought to optimize debt exposure with respect to interest rates and other terms and conditions, principally the repayment schedule. A mix of foreign currencies was used because interest rates were attractive and any risk on foreign exchange is to a large extent mitigated by the Company's export earnings. A further $400 million will be borrowed during 1982 and 1983 to complete the financing of the current capital expansion program.

Beaverlodge Operations

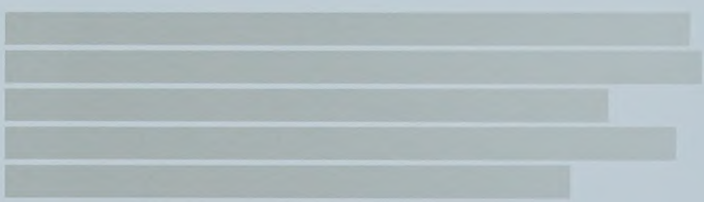
The amount of ore milled at Beaverlodge during 198l totalled 317,000 tons, down slightly from 322,000 tons the previous year. The grade of ore mined continued to decline, from 0.188 percent in 1980 to 0.175 percent, reflecting lower grades encountered in the Fay mine at depth. Despite an improvement over 1980 in the mill recovery rate to 90.5 percent, the total production of uranium concentrates declined more than 11 percent to 975,500 pounds in 1981, down from 1,100,500 pounds the previous year.

The generation of electricity by the Company to service the mine and mill, as well as the needs of Uranium City, increased by almost two percent during the year to 111 million kWh. However, the low levels of rain and snowfall in the region reduced the generation of electricity from Eldorado's three hydro stations, resulting in a 65 percent rise in the amount of power produced by generators burning diesel oil barged into Beaverlodge.

The volume of freight transported north by the three transportation systems

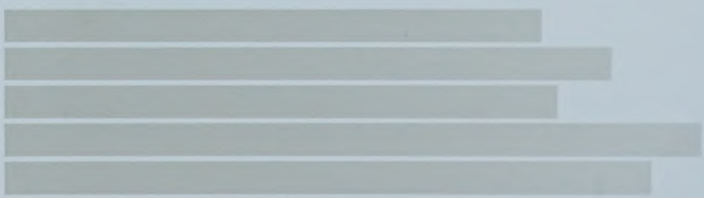
Ore Milled (tons)

1981	317,000
1980	322,000
1979	312,000
1978	307,000
1977	256,000



U_3O_8 Production (pounds)

1981	975,000
1980	1,100,000
1979	1,006,000
1978	1,283,000
1977	1,185,000



employed by the Company was 50.8 million pounds, compared with 52.8 million in 1980. Of the total, 24 percent was transported north by Eldorado Aviation Limited, 73 pecent by barge and three percent via the winter road, which connects Uranium City with the provincial road system for four to six weeks each winter.

Eldorado Aviation

The aviation division completed its first full year of operations with the new Boeing 737 cargo-passenger jet. Total freight flown in both directions was 14.3 million pounds. The number of employees and contractor personnel carried by the aircraft increased 24 percent, reflecting the improvement in service compared with 1980 when Elorado flew DC-4 aircraft between Edmonton and Beaverlodge during the first six months. The increase in passengers was also attributable to more liberalized flight policies for employees, which were introduced to attract and retain a full complement of skilled workers.

Eldorado Aviation filed an application with the Canadian Transport Commission at mid-year, seeking a new licence which would permit the contracting of services to other uranium producers in northern Saskatchewan. The application was still pending at year-end.

Eldorado Aviation has provided essential air transportation support for our mines in northern Canada for almost 40 years. Implementation of the Beaverlodge shutdown decision and relocation of employees during the next several months will place increased demands on the aviation division.

Refining/Conversion

All of the Company's uranium processing facilities are currently located at Port Hope, Ontario. Uranium concentrates or yellowcake received from mines in Canada and other countries are first refined to high purity uranium trioxide (UO_3), which is then converted into uranium hexafluoride (UF_6) or ceramic-grade uranium dioxide (UO_2).

During 1981, Eldorado processed mine concentrates containing 13.2 million pounds of uranium, a 15 percent gain over 1980. The increase reflects improved per-

UF_6 Production (pounds U)

1981	10,256,000
1980	9,361,000
1979	9,890,000
1978	7,096,000
1977	8,525,000

UO_2 Production (pounds U)

1981	2,950,000
1980	2,127,000
1979	2,919,000
1978	2,129,000
1977	1,855,000

formance resulting from the installation of new equipment and the development of new processes in recent years.

The amount of uranium converted into UF_6 for foreign utilities operating light water reactors increased 10 percent in 1981 to 10.3 million pounds from 9.4 million the previous year. A new process developed by Eldorado for the production of uranium tetrafluoride (UF_4), an intermediate product in the conversion to UF_6, accounted for almost 35 percent of 1981 production. The process allows hydrofluoric acid to be recovered and recycled. It also substantially reduces the volume of calcium fluoride residue generated in UF_6 conversion. The process has been incorporated into the design of the new UF_6 facilities under construction at Port Hope for production in 1983.

In addition to UF_6, Eldorado converted 2.9 million pounds of uranium into UO_2 during 1981 for CANDU heavy water reactors, primarily those operated by Ontario Hydro. This represented a 39 percent increase from the 2.1 million pounds of uranium produced as UO_2 the previous year and was accomplished by the successful operation of a new UO_2 circuit commissioned in 1980.

Continuing improvements were achieved in reducing air emissions from the refining and conversion plants. New control and monitoring equipment was installed in September to control the level of fluoride emissions from the UF_6 plant. As a result the plant was in full compliance with Ontario's standards for such emissions during the last four months of the year. New equipment and programs were also put in place to prevent the recurrence of elevated uranium emissions which took place early in 1981.

Significant progress was made in attaining the Company's objective of eliminating virtually all processing wastes from the refining and conversion operations. The recycling of raffinate from the refinery to uranium mills in northern Ontario once again met the commercial and regulatory objectives established for the program. Liquid ammonium nitrate, a by-product from UO_2 conversion, continues to find commercial acceptance as a fertilizer among farmers in the Port Hope area, while meeting the regulatory guidelines established for its use.

A third by-product — calcium fluoride produced during UF_6 conversion — was tested during 1981 by a Canadian steel producer for use as a fluxing agent. The initial tests proved successful and the steel producer has requested a larger quantity for a full-scale test early in 1982. If successful, all of the major process residues from the refining and conversion of uranium will be recycled for their commercial value as raw materials.

Metallurgical

In addition to refining and converting uranium for use as a fuel in electricity-generating reactors, Eldorado also operates a metallurgical plant at Port Hope. The plant produces depleted uranium metal alloys which, because of their high density, are used in special applications such as counterweights and radiation shielding.

Sales of metallurgical products during 1981 amounted to a record $9 million, an increase of 17 percent over the previous year.

During the last quarter of the year, the metallurgical division successfully entered the market for melting titanium, a lightweight, corrosion-resistant metal used in special industrial applications. The division is continuing to investigate other opportunities in the field of high-technology metals processing.

Health/Safety

A program to improve and sustain safe working practices and conditions continued to receive a high priority during the year. The number of lost-time injuries, their severity and frequency declined once again. However, further reductions in the number of industrial accidents will remain a major corporate objective.

Radiation exposure levels for employees in the operating divisions continued to be well below the maximum

acceptable levels established by regulatory authorities.

At Beaverlodge, the mean total exposure to radon daughters, a decay product of uranium, was 1.0 Working Level Months (WLM) in 1981 compared with the regulatory permissible level of 4.0 WLM per year. No employees exceeded the level.

At Port Hope, the average on-the-job exposure to radiation among all employees was 66 millirems, which is less than 1.5 percent of the regulatory limit for atomic radiation workers of 5,000 millirems per year. The highest exposure for an individual employee was well below the limit.

Research and Development

The Research and Development Division continued to develop improved technology for current and potential Company operations.

Programs were completed in 1981 to improve the efficiency and process control in several areas of the refining and conversion operations. Long-term studies relating to existing processes and the development of new techniques are continuing.

In waste management, a process was developed to improve the control of effluent from the Port Granby waste management site and, in a joint effort with Environment Canada's Waste Water Technology Centre, a new method was developed for the removal of radium from mine water.

The division also contributed to the design of the Key Lake mill and waste management system and provided support services to the Exploration Division, Metallurgical Products and the Blind River and Port Hope expansion projects.

Exploration

The discovery and development of new orebodies remains a high priority for Eldorado. During 1981, the Company participated in 34 exploration projects, 21 of them joint ventures with other mining companies and electric utilities. Spending on the projects totalled $12.5 million, of which Eldorado's share was $4.8 million.

The exploration program included field activities throughout Canada. As in past years, there was a high level of exploration spending in the Athabasca Basin of northern Saskatchewan. Exploration confidence in this region remains high, although the level of expenditures in the Basin is expected to decline as exploration in other areas increases. Eldorado's total holdings across Canada at year-end were 2,686,343 acres (965,126 net acres).

During 1981, the Company decided to commit part of its exploration expenditures to increase its search for non-uranium resources. The Exploration Division will spend about 25 percent of its effort and budget in 1982 on seeking minerals other than uranium. This percentage will increase in future years.

Eldor Resources

Major progress was made during 1981 in the development of the Key Lake orebodies in northern Saskatchewan, in which Eldorado has a one-sixth interest through a wholly-owned subsidiary, Eldor Resources Limited.

Key Lake Mining Corporation, the company established to operate the project, attained two milestones during 1981. The Company received approval early in the year from a provincial government inquiry established to review the development proposal. A 21-year surface lease, putting into effect many of the recommendations of the inquiry, was signed with the provincial Department of Northern Saskatchewan in August, allowing full-scale development to proceed.

With estimated ore reserves containing some 180 million pounds of uranium concentrates (U_3O_8), the Key Lake operation will have the capacity to produce up to 12 million pounds of U_3O_8 annually. Start up is currently forecast for the last quarter of 1983 or early 1984. Eldor's share at full capacity will be two million pounds per year.

Spending by Eldor for its share of the development costs totalled $10.2 million in 1981. Investment of a further $68 million is

estimated as the Company's share of expenditures required to bring the property into production.

Processing Expansion
A total of $62.7 million was spent in 1981 on the expansion of Eldorado's processing capacity. Currently, uranium is both refined and converted at Port Hope, Ontario. However, when construction of a new and substantially larger refinery is completed in 1983, all refining to nuclear-grade UO_3 will be consolidated at Blind River, Ontario and the nuclear grade UO_3 will be shipped to Port Hope. Production capacity for UF_6 conversion is being expanded at Port Hope. UO_2 production will continue there as well.

Some $50 million of the 1981 spending on processing expansion was related to the Blind River project. Site approval was received in February and construction approval in July from the Atomic Energy Control Board, which has licencing jurisdiction under the Atomic Energy Control Act.

By year-end, construction was well advanced and all major buildings had been closed in, allowing interior work to continue through the winter. An estimated 30 percent of plant construction had been completed by December. Plant start-up is scheduled for April 1983.

Site approval was granted in July for the new UF_6 plant to be located at Port Hope. An application to the AECB for construction approval was submitted in December and construction is expected to start in April 1982.

Some $12.7 million was spent on the Port Hope project in 1981, primarily for design, engineering and site preparation work, which was carried out with AECB approval. The new Port Hope facility is expected to go into operation in October 1983.

Technology Export
In late 1981, Eldorado entered into an agreement with Atomic Energy of Canada Limited to assist in the transfer of Canadian uranium technology in support of the sale of CANDU reactors. As part of that agreement, Eldorado, in conjunction with AECL, submitted a technology transfer proposal to the Comision Federal de Electricidad, the Mexican government's electrical utility. The proposal covers the transfer of technology for the exploration, mining, milling, refining and conversion of uranium into forms suitable for the manufacture of reactor fuel.

Markets
A comprehensive evaluation of uranium markets conducted during 1981 confirmed the Company's previous findings that there will be a renewal of demand growth, beginning in 1983-84, which should be sustained throughout the 1980s. The assesment of demand was restricted to the requirements of: reactors currently in operation, those more than 50 percent constructed, and the contractual obligations of foreign electrical utilities to deliver uranium to enrichment plants. Based on this conservative estimate of demand, utilities are forecast to increase their uranium purchases by at least seven percent annually through the balance of this decade.

However, there is likely to be only a modest real increase in the market price paid for uranium. The projected demand is expected to be met almost entirely from existing producer and utility inventories, from economically durable mines now in production and from large, high-grade deposits currently being developed.

Prospects
Participation in the Key Lake project will allow Eldorado to become one of the most competitive producers of uranium in Canada. This, together with the security of supply offered customers by Eldorado's large uranium inventory, will enhance the Company's position in the marketplace.

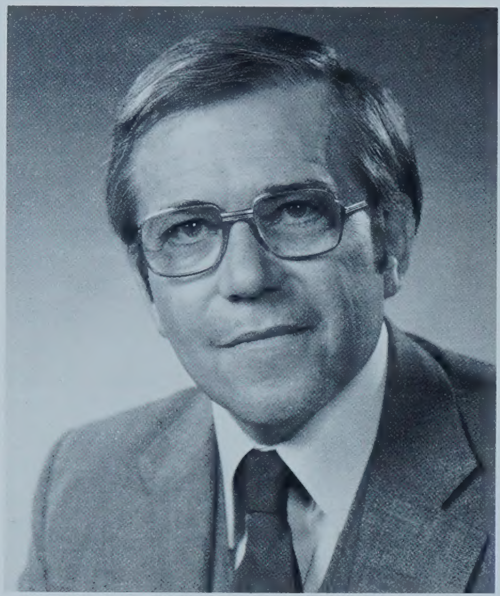
The processing expansion in Ontario is expected to have an equally significant effect on Eldorado's refining and conversion operations. Now the smallest producer of uranium hexafluoride, by 1984 Eldorado will have the largest and most modern facilities among the five com-

panies which provide this service in the Western world.

The assets now being developed are expected to generate sufficient cash flow to permit full repayment of financing by 1990.

Today, Eldorado Nuclear Limited is essentially a company in the development stage. Within two years, it will be in a good position to compete aggressively in expanding world uranium markets.

N.M. Ediger,
President and Chief Executive Officer



Direction and Management

Eldorado Nuclear Limited is incorporated under the Canada Business Corporations Act and listed as a proprietary corporation in Schedule D of the Financial Administration Act. Its shares are held by the Minister of Energy, Mines and Resources in trust for Her Majesty in Right of Canada. The board of directors derives its authority from the Shareholder. Directors are elected annually.

Nine members of the board are outside directors, representing a broad spectrum of business and public policy experience in Canada and elsewhere. In addition to their overall responsibilities as members of the board, each outside director serves on at least one of the board's committees.

Board of Directors

Marcel Bélanger, O.C., C.A.
President
Gagnon et Bélanger Inc.
Quebec City, Quebec
Also director of:
Abitibi Price Inc.
Bell Canada
Celanese Canada Inc.
The Great West Life Assurance Co.
Le Groupe Commerce
The Hudson's Bay Company
John Labatt Limited
The National Bank of Canada
Pratt & Whitney Aircraft of Canada Ltd.
The Price Company Ltd.
Provigo Inc.
Scan Marine Inc.

W.J. Bennett
Consultant
Iron Ore Company of Canada
Montréal, Québec
Also director of:
The C.D. Howe Research Institute (Chairman)
Canadian Pacific Limited
Canadian Reynolds Metals Company Limited
Canron Limited
Cominco Ltd.
The Investors Group
Peterson, Howell & Heather (Canada) Inc.
Philips Canada Ltd. (Chairman)

Dr. Roger A. Blais, Eng.
Managing/Director
Industrial Innovation Centre (Montréal)
Montréal, Québec
Also director of:
Axovision Inc.
Industrial Innovation Centre (Montréal)
Institute for Research on Public Policy
Polynergy (1980) Inc.
Polyplasma Inc.
Science Council of Canada

L.C. Bonnycastle, B.A., F.S.A.
Consultant
Canadian Corporate Management Company Limited
Toronto, Ontario
Also director of:
Cavendish Investing Ltd.
Canadian Corporate Management Company Limited and a number of its subsidiaries
Harlequin Enterprises Limited

Kevin P. Boyle (elected December 10, 1981)
Vice President
The H.A. Roberts Group Ltd.
Regina, Saskatchewan
Also director of:
Clearwater Concrete & Aggregates Ltd.
Grenore Investments Limited
H.A. Roberts Properties Inc.

Marshall A. Cohen
Deputy Minister
Department of Energy, Mines and Resources
Ottawa, Ontario
Also director of:
Atomic Energy of Canada Limited
Petro-Canada

N.M. Ediger
President and Chief Executive Officer
Eldorado Nuclear Limited
Ottawa, Ontario
Also director of:
Canadian Nuclear Association (Executive Committee)
Council, The Uranium Institute (Executive Committee)
Eldor Resources Limited
Eldorado Aviation Limited
The Mining Association of Canada
National Council, Canadian Institute of International Affairs

J. Gerald Godsoe, Jr.
Partner
Stewart, MacKeen & Covert
Halifax, Nova Scotia

Maurice A.A.C. Swertz, Sr.
President
Swertz Bros. Construction Ltd.
Weyburn, Saskatchewan
Also director of:
Frontier Homes Ltd.
Global Homes Ltd.
Lumberjack Enterprises Ltd.
Performance Video Incorporated
Polyco Window Manufacturing Limited
Saskatchewan Chamber of Commerce
Weyburn Industries Ltd.

N.G. Van Nest
President
Heritage Securities Corporation
Toronto, Ontario
Also director of:
Dellview Holdings Limited
Expetro Resources Limited
National Business Systems Inc.
Royal Canadian Geographical Society

Board Committees

Audit Committee

M. Bélanger, Chairman
L.C. Bonnycastle
J.G. Godsoe, Jr.

Finance Committee

N.G. Van Nest, Chairman
W.J. Bennett
M.A. Cohen
N.M. Ediger

Executive Development and Compensation Committee

W.J. Bennett, Chairman
R.A. Blais
L.C. Bonnycastle
M.A.A.C. Swertz, Sr.

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President and Chief Executive Officer

Maurice J. Moreau
Executive Vice-President
and Chief Operating Officer

George Boyce
Vice-President, Marketing

Ronald G. Dakers
Vice-President, Refining

Thomas J. Gorman
Vice-President, Finance

Kenneth M. Haapanen
Vice-President, Mining

Sandy Mackay-Smith
General Counsel
and Corporate Secretary

Gordon A. Frost
Treasurer

W. John Jussup
Assistant Secretary

Richard P. Nannini
Assistant Secretary

Jerry H. Kinshella
Assistant Treasurer

Financial Review and Consolidated Statements

for the year ended December 31, 1981

Financial Review

Revenue

Sales revenue declined by 21 percent to $71.9 million in 1981 from $91.1 million in 1980 and $111.5 million in 1979 as a result of further deterioration in the market for uranium mine concentrates.

The decline in the world market price, which began in late 1979, continued into 1981. Prices levelled out by the third quarter and remained generally firm during the remainder of the year. However, the reduction in volume of concentrates sold was primarily responsible for the reduction in sales revenue. The Company agreed to deferrals of deliveries to later years under long-term contracts with a number of utilities. In addition, Eldorado refused to enter into the spot market at current depressed price levels.

The decline in spot prices also had an adverse effect on prices negotiated under long-term contracts.

Although the volume of processed uranium delivered to customers during 1981 declined seven percent compared with 1980, sales revenue from these refining and conversion services increased 17 percent as contract prices continued to be firm through most of 1981. Some price erosion on new orders was evident during the year and this trend is expected to continue in 1982, reflecting a more competitive market and the effect of inventory sales.

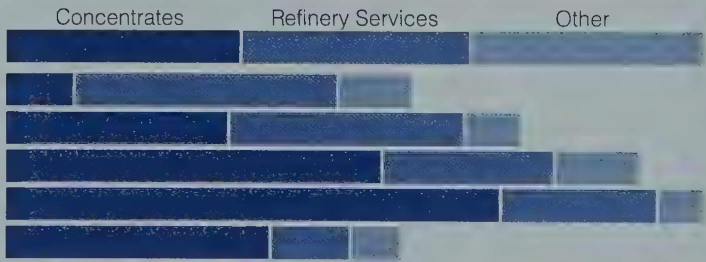
Earnings

Consolidated net loss, before the extraordinary item, amounted to $1.5 million compared with a profit of $1.5 million in 1980. This was the first loss incurred by Eldorado since 1973 and resulted primarily from the deteriorating economics of the Beaverlodge mining and milling operations, as well as the increased cost of borrowing money to finance these operations.

The Board of Directors decided in November to close the Beaverlodge Operations effective June 30, 1982 after completing the most current in a series of assessments of the economic viability of the mine and mill. The decision has resulted in the necessity to report an

Revenue

1981	$ 71,888,000
1980	$ 91,116,000
1979	$111,498,000
1978	$124,046,000
1977	$ 68,623,000



Net Earnings (before extraordinary item)

1981	$ (1,529,000)
1980	$ 1,506,000
1979	$ 398,000
1978	$ 17,618,000
1977	$ 6,933,000

extraordinary loss of $127.6 million to reflect the write-off of Beaverlodge assets and the anticipated costs of closing and decommissioning the mine. This brings the total net loss for the year to $129.1 million.

The Company incurred a gross loss of $5.7 million in 1981 compared with a gross profit of $23.1 million in 1980. This deterioration was entirely due to the Beaverlodge Operations where a combination of falling market prices, sharply increased costs and a decline in ore grade, caused production costs to exceed the current world market price in 1981 by more than 100 percent.

The loss at Beaverlodge obscured the increase in gross profit from refining operations, which resulted from increased production levels of UF_6 and UO_2.

Corporate expenditures on exploration, research and development, and administration were reduced slightly from 1980 levels.

Assets

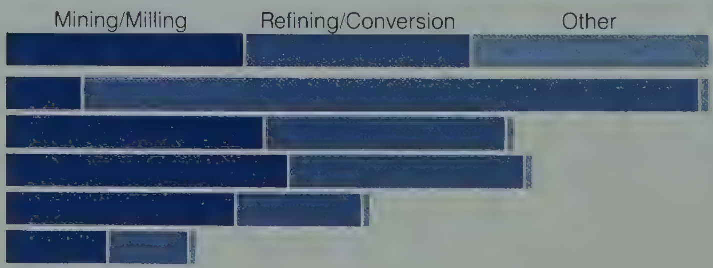
1981	$618,377,000
1980	$359,119,000
1979	$325,965,000
1978	$314,882,000
1977	$183,775,000

Equity and Long-Term Debt

	% Equity	Equity and Debt
1981	49	$518,386,000
1980	28	$286,600,000
1979	30	$263,197,000
1978	38	$210,072,000
1977	39	$158,502,000

Capital Expenditures (excluding Key Lake)

1981	$ 75,111,000
1980	$ 53,949,000
1979	$ 56,296,000
1978	$ 38,196,000
1977	$ 20,063,000



The Company's interest charges in 1981 amounted to $15.6 million, up from the 1980 level of $6.9 million. Eldorado's interest charges, including those on large borrowings required to finance the Company's expansion program, represented 25 percent of total operating costs.

Offsetting the increase in borrowing costs and the losses on mining operations was a $31.6 million gain on elimination of the debt owing by Eldor Resources Limited, a wholly-owned subsidiary, to Uranium Canada, Limited. This debt was effectively eliminated when Eldorado acquired the Uranium Canada assets.

Financial Position

Three developments had a significant impact on the Company's financial position during 1981:

1. The Government of Canada increased its equity in Eldorado by transferring to the Company the assets administered by Uranium Canada, Limited. These assets, consisting of 14.5 million pounds of concentrates and concentrate loans, were exchanged for $200 million of cumulative redeemable preferred shares and $100 million of common shares. This was the Shareholder's first equity investment since 1946.

2. The write-off of net book value of the Beaverlodge assets and the provision for the costs of closing and decommissioning the mine have eliminated retained earnings.

3. Some $168 million was borrowed in 1981, primarily to finance the Company's expansion projects. When completed, the new facilities should generate sufficient cash flow to repay all debt by 1990.

The net effect of these changes was to improve Eldorado's debt-to-equity ratio from 2.5 at the end of 1980 to 1.1 at the end of 1981.

At year-end, the Company's assets amounted to $618 million, up from $359 million, despite the write-off of the assets at Beaverlodge. Of the total assets, 47 percent was in the form of uranium mine concentrates held in inventory, 37 percent in new assets being brought into production within the next two years, and 16 percent in existing production and support facilities and current assets.

The Company faced a working capital deficit of $33.3 million as of December 31, 1981 reflecting the current portion of long-term debt as well as the cost of the Beaverlodge shutdown to be paid in 1982. This deficit will be financed with additional long-term debt.

Capital Expenditures

The major expansion projects accounted for 86 percent of Eldorado's total 1981 capital expenditures of $85 million. Approximately $50 million was spent on construction of the Blind River refinery. The project was 30 percent complete by December 31 and the plant had been enclosed, allowing work to proceed through the winter. Startup is scheduled for April 1983.

Expenditures of $12.7 million in 1981 on the new Port Hope UF_6 conversion facility were primarily for design, engineering and site preparation. Construction is due to commence in April of 1982. The plant is expected to be ready for startup in October 1983.

Eldorado spent $10.2 million in 1981 as its share of the cost of developing the Key Lake orebodies, in which the Company has a one-sixth interest through Eldor Resources. Development of the mine was held up by a delay in the signing of a surface lease with the Government of Saskatchewan. However, the lease was signed in August and construction commenced in September. Production from Key Lake is scheduled to begin in October 1983.

Other than these three projects, capital expenditures made in 1981 were modest. Spending of $6.7 million on maintenance projects at Beaverlodge during the year have now been written off. At Port Hope, $3.2 million was spent primarily on environmental monitoring and control systems, as well as improvements in the UF_6 circuit. The latter contributed to the 10 percent increase in UF_6 production.

The metallurgical products department, which in previous years depended

solely on uranium metal casting, acquired new equipment costing $0.6 million to diversify into the production of other high technology metal products.

Financing

Eldorado borrowed $168 million in capital markets to finance its expansion projects. The financing program sought to optimize debt exposure with respect to interest rates and other terms and conditions, principally the repayment schedule. A mix of foreign currencies was used because interest rates were attractive and any risk on foreign exchange is to a large extent mitigated by the Company's export earnings.

The loans negotiated in 1981 were:

March — A public issue listed on the London Stock Exchange of $50 million (U.S.) Eurobonds, repayable in 1986, with a 13¼ percent interest coupon payable annually.

August — A public issue in Switzerland of 100 million Swiss francs, repayable in 1991, with a 7 percent interest coupon payable annually.

October — A private placement of $43.1 million (U.S.) notes, repayable in 1983, together with related currency agreements, denominating interest and principal repayments in Japanese yen. Interest payments are to be converted into U.S. dollars at a rate of exchange fixed to provide a yield on the notes of 9.19 percent on a semi-annual basis.

The average cost of capital borrowed during the year was 10 percent.

During 1982 and 1983, Eldorado will borrow an additional $400 million.

Cash Flows

The chart below depicts the Company's cash flows during 1981. As can be seen, the only significant source of cash has been through the acquisition of $168 million in long-term debt.

As stated earlier, most of the cash available to the Company in 1981 was em-

ployed in the capital expansion program — $62.7 million on the new refinery and conversion plants, and $10.2 million on the development of the Key Lake orebodies. Operations resulted in a net cash outflow of $0.9 million because of the losses incurred by the Beaverlodge mine and mill. Another $22.9 million was used to increase working capital, including U_3O_8 inventory for which there was a limited market in 1981. In addition, $20.3 million was spent on maintenance capital expenditures at existing facilities and preproduction expenses. A total of $31.7 million was used to retire long-term debt owed to the Government of Canada and to repay short-term bank loans, while $15.6 million was paid out to service long-term debt.

Income Tax
Eldorado is subject to the full provisions of the Income Tax Act and does not enjoy any special privileges because of its ownership by the Crown. Indeed, since the Company was purchased in 1944, Eldorado has paid some $29 million in federal income taxes.

Saskatchewan Uranium Royalties
The Company is subject to the provisions of the Saskatchewan Mineral Resources Act for the payment of uranium royalties. Provincial mineral royalty payments are not deductible from income for determining the federal income taxes payable.

Interim Reports
During 1981, the Company continued the practice of issuing interim reports. The following table sets out the unaudited results of operations by quarter for 1979, 1980 and 1981. Eldorado's business cycle is such that the results of any interim period are not necessarily indicative of results for a full year.

Interim Reports (Millions of dollars)

		Q1	Q2	Q3	Q4	Year
1981	Revenue	$15.7	$14.3	$14.1	$27.8	$71.9
	Gross Profit	5.5	3.2	2.7	(17.1)	(5.7)
	Net Earnings, (before extraordinary item)	(0.2)	(0.9)	(1.6)	1.2	(1.5)
1980	Revenue	18.1	29.4	21.2	22.4	91.1
	Gross Profit	4.8	7.4	(1.6)	12.5	23.1
	Net Earnings	(0.1)	0.2	(5.0)	6.4	1.5
1979	Revenue	21.0	33.4	19.9	37.2	111.5
	Gross Profit	7.3	8.0	(2.0)	8.7	22.0
	Net Earnings	1.7	1.0	(4.0)	1.7	0.4

Report of Management's Accountability

The accompanying financial statements and all information in the Annual Report are the responsibility of management and the Board of Directors of the Company. The financial statements were prepared by management in conformity with generally accepted accounting principles considered to be appropriate in the circumstances.

Eldorado maintains internal accounting controls which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that reliable financial information is produced. The Company has also established a "Code of Ethics" for employees to prevent conflicts of interest on the part of employees and to ensure that there is no unauthorized disclosure by employees of confidential information. The Company has established an internal auditing department, whose functions include reviewing the systems of control to ensure that they are adequate and functioning properly.

Annually, the financial statements are examined by the Company's external auditors. Their examination is made in accordance with generally accepted auditing standards and includes a review and evaluation of the Company's system of internal accounting controls and such tests and other procedures as they deem necessary to provide reasonable assurance as to the fairness of the financial statements.

The Board of Directors, through its Audit Committee consisting solely of outside directors, is responsible for reviewing and monitoring the Company's accounting and reporting practices. The Audit Committee meets with management and both the internal and external auditors to satisfy itself that their responsibilities are properly discharged. Both the internal and external auditors have free access to this Committee to discuss the results of their work and their opinions on the adequacy of the internal accounting controls and the quality of financial reporting.

Statement of Accounting Policies

The accompanying consolidated financial statements were prepared by management in conformity with generally accepted accounting principles considered to be appropriate in the circumstances, and have been applied on a basis consistent with that of the preceding year. A summary of significant accounting policies of the Company is presented to assist the reader in interpreting the statements contained herein.

Consolidation
The consolidated financial statements include the accounts of Eldorado Nuclear Limited and its wholly-owned subsidiaries, Eldorado Aviation Limited and Eldor Resources Limited.

Inventories
Inventories of mine concentrates and refined and converted products are valued at the lower of weighted average cost or net realizable value. Cost for customer-owned products is the cost of the refining and conversion processes only.

Inventories of mine concentrates are initially measured and accounted for in the financial statements when the material is sealed in containers upon completion of the milling process.

Supplies
Operating and general supplies are carried at cost.

Property and Equipment
Assets are carried at cost. Costs of additions, betterments, and renewals are capitalized. When assets are retired or sold, the resulting gains or losses are reflected in current earnings.

Maintenance and repair expenditures are charged to cost of production.

Investment in Joint Venture
The investment in joint venture, which consists of exploration, development and financing costs of the one-sixth interest in the Key Lake orebodies, is carried at cost until such time as production commences.

Depreciation
The principal depreciation method used is the composite straight line method based on the estimated useful lives of the property and equipment, which in the majority of cases is 10 years. For the purposes of calculating the depreciation charge, the average economic life of the property and equipment of each plant or operation is calculated, and a composite depreciation rate based on this average economic life is applied for each plant or operation.

Capitalization of Interest
Interest costs on funds borrowed to finance the development and construction of major assets are capitalized during the development and construction period.

Mine Development and Preproduction Costs
Certain mine development and refinery costs associated with capacity additions are deferred until commencement of production. These costs are then amortized based on production over not more than 10 years. Other costs are charged to production as incurred.

Research and Development and Exploration Costs
Expenditures for applied research and development relative to the products and processes of the Company and expenditures for geological exploration programs are charged against earnings as incurred.

Pension Plan
The Company has a contributory, defined benefit, trustee pension plan covering all its regular full-time employees. Assets in the pension fund are essentially valued at book values, while liabilities are costed by the entry age normal cost method.

Pension costs are funded and recorded at rates confirmed by the consulting actuary pursuant to periodic actuarial revaluations. All actuarially-determined unfunded liabilities are amortized and funded over periods that adequately reflect their specific nature, up to a maximum of 15 years.

Sales of Products and Services
In accordance with normal industry practices, the Company contracts for future delivery of mine concentrates and refinery conversion services. Sales revenue is recorded in the fiscal year that title passes or, with customer-owned material, when delivery is effected.

Foreign Exchange
Accounts receivable and accounts payable denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at year-end; income and expenses at rates in effect during the year; long-term debt at rates in effect when the debt was incurred. Gains or losses resulting from such translation practices are reflected in the statement of consolidated earnings and retained earnings.

Shutdown of Beaverlodge Operation
The decision to cease operations at the Beaverlodge mine on June 30, 1982 has been reflected in the accompanying financial statements on the following basis:

- All the Beaverlodge assets, net of estimated salvage value, have been written off.

- A provision has been made for the cost that will be incurred in shutting down the mine. This includes all foreseeable costs of closing and decommissioning the mine, including early retirement, severance and relocation programs for employees, as well as environmental and salvage costs.

Also included in the provision for shutdown is the excess of the cost of continuing to operate the mine over the net realizable value of inventories produced during the shutdown period commencing November 24, 1981.

The write-off of the Beaverlodge assets and the provision for shutdown costs have been reflected in the 1981 income statement as an extraordinary item. No provision has been made for the on-going costs of environmental monitoring of the Beaverlodge site after shutdown. These are considered to be normal operating expenses for a mining company and they will be charged against revenues in the year in which they are incurred.

Income Tax
The Company follows the tax allocation method of providing for income taxes. Taxable income may be different from reported earnings before taxes because certain items of income and expense are recorded in time periods different for tax purposes from those for accounting purposes. The difference between the taxes calculated as payable each year and those charged against earnings on the tax allocation method is accumulated and carried forward in the statement of consolidated financial position under the caption Deferred Taxes.

Statement of Consolidated Earnings and Retained Earnings

For the year ended December 31st	1981	1980	1979
		(Thousands of dollars)	
Revenue			
Sales of products and services	$ 71,888	$91,116	$111,498
Expenses			
Cost of products and services sold	77,632	68,019	89,545
Exploration	4,927	5,286	6,579
Research and development	2,683	2,904	2,858
Administration	5,608	5,149	4,992
Financing expense	15,621	6,856	6,111
Other income	(32,692)	(2,538)	(4,680)
Total expenses	73,779	85,676	105,405
Earnings (loss) before taxes and extraordinary item	(1,891)	5,440	6,093
Income taxes and mineral royalties	(362)	3,934	5,695
Earnings (loss) before extraordinary item	(1,529)	1,506	398
Loss on shutdown of Beaverlodge operations (net of deferred taxes of $9,343)	127,618	—	—
Net earnings (loss)	(129,147)	1,506	398
Retained earnings at beginning of year	$ 75,024	$73,518	$ 73,120
Retained earnings (deficit) at end of year	$ (54,123)	$75,024	$ 73,518

The accompanying notes to Consolidated Financial Statements are an integral part of this statement.

Statement of Consolidated Financial Position

As at December 31st	1981	1980	1979
		(Thousands of dollars)	
Current assets			
Cash and short-term investments at cost	$ 3,717	$ —	$ 5,249
Accounts receivable	14,658	13,591	19,613
Mine concentrates on loan	5,038	9,052	8,596
Inventories	28,471	8,815	16,555
Supplies	10,390	15,295	12,603
Prepaid expenses	478	462	4,607
	62,752	*47,215*	*67,223*
Current liabilities			
Bank loans and advances	—	23,322	—
Accounts payable	29,684	23,850	20,628
Long-term debt due within one year	12,400	8,353	12,153
Provision for mine shutdown	51,491	—	—
Provision for loss on uncompleted contracts	—	—	16,066
Other liabilities	2,478	—	—
	96,053	*55,525*	*48,847*
Working capital (deficiency)	(33,301)	(8,310)	18,376
Non-current assets			
Inventories	255,545	—	—
Investment in joint venture	131,207	120,977	107,351
Mine concentrates on loan	—	10,950	10,678
Property and equipment, net	160,932	168,794	132,502
Deferred charges	5,150	6,552	6,458
Accounts receivable	1,267	2,533	—
Other assets	1,524	2,098	1,753
	555,625	*311,904*	*258,742*
Capital employed	$522,324	$303,594	$277,118
Represented by:			
Long-term debt	$265,923	$204,990	$183,093
Other liabilities	3,938	6,286	5,077
Deferred taxes	—	10,708	8,844
	269,861	*221,984*	*197,014*
Shareholder's equity			
Share capital	306,586	6,586	6,586
Retained earnings (deficit)	(54,123)	75,024	73,518
	252,463	*81,610*	*80,104*
	$522,324	$303,594	$277,118

The accompanying notes to Consolidated Financial Statements are an integral part of this statement.
Approved by the Board of Directors.

Marcel Bélanger Nedigan

Statement of Changes in Consolidated Financial Position

For the year ended December 31st	1981	1980	1979
		(Thousands of dollars)	
Source of working capital			
From operations:			
Earnings (loss) before extraordinary item	$ (1,529)	$ 1,506	$ 398
Items not affecting working capital:			
Depreciation and amortization	18,100	15,493	9,978
Deferred taxes	(1,365)	1,864	1,495
	15,206	*18,863*	*11,871*
Increase in long-term debt	168,062	55,776	64,880
Mine concentrates repaid and due within one year	10,044	8,819	32,413
Decrease (increase) in accounts receivable	1,266	(2,533)	4,428
Issue of share capital	300,000	—	—
	494,578	80,925	113,592
Use of working capital			
Decrease (increase) in other liabilities	2,348	(1,209)	3,820
Increase (decrease) in carrying value of mine concentrates on loan	(906)	9,091	17,394
Additions to property and equipment	74,732	49,483	56,063
Investment in joint venture	10,230	13,626	11,035
Repayment of long-term debt	94,729	25,527	—
Long-term debt due within one year	12,400	8,353	12,153
Extraordinary item: loss on shutdown of Beaverlodge operations	62,188	—	—
Acquisition of non-current inventories	255,545	—	—
Additions to deferred charges	8,303	2,740	3,132
	519,569	107,611	103,597
Increase (decrease) in working capital	(24,991)	(26,686)	9,995
Working capital (deficiency) at beginning of year	(8,310)	18,376	8,381
Working capital (deficiency) at end of year	$ (33,301)	$ (8,310)	$ 18,376

The accompanying notes to Consolidated Financial Statements are an integral part of this statement.

Notes to Consolidated Financial Statements

for the year ended December 31st, 1981

1. Eldorado Nuclear Limited

Eldorado Nuclear Limited is incorporated under the Canada Business Corporations Act, is subject to the Financial Administration Act and the Government Companies Operations Act, and is an agent of Her Majesty in Right of Canada. The shares outstanding in 1944 were acquired by the federal government in that year to secure a source of uranium for Canada. In 1981 these shares were cancelled and new shares were issued to the shareholder pursuant to the acquisition by the Company of the Government uranium stockpile.

The Company, wholly-owned by Her Majesty in Right of Canada, is involved in various aspects of the nuclear fuel cycle, primarily the exploration, mining, refining and conversion of uranium.

Eldorado's Beaverlodge mine and mill in northwestern Saskatchewan produce uranium mine concentrates. This facility will close during 1982, but the Company owns concentrate inventories more than sufficient to fulfill sales commitments to 1990. Most sales to electric utilities are made under long-term, annual delivery contracts, and title transfer is generally made at the Company's Port Hope facilities prior to further processing. All export contracts must first be approved by federal regulatory agencies.

The plant at Port Hope refines uranium concentrates and converts the pure uranium to produce ceramic-grade uranium dioxide powder and uranium hexafluoride as steps in the nuclear fuel cycle. Utility customers in Canada and other nations send material to Port Hope for such processing and the converted product is shipped on behalf of customers to fabricators in Canada or to enrichment plants in the United States, Europe and Russia. At year-end 1981 the refinery held 14 million pounds of customer-owned uranium at various stages of processing (1980-25 million pounds). All exports of material on behalf of customers require a licence from federal regulatory agencies.

The Port Hope operation also includes metallurgical facilities to produce depleted uranium metal alloys, experimental fuels, and various other related products, as well as storage facilities for U_3O_8 and for processed UF_6.

A wholly-owned subsidiary, Eldor Resources Limited, owns a one-sixth interest in the Saskatchewan Uranium Joint Venture, which is developing new uranium properties at Key Lake in northern Saskatchewan. Another wholly-owned subsidiary, Eldorado Aviation Limited, provides transportation services to the Beaverlodge mine site, and will continue to do so during the period of shutting down and decommissioning the mine site. In addition, Eldorado Aviation has applied for a licence change that would permit it to expand its transportation services.

Each year, after the normal preparation, review and approval of budgets by the Board of Directors of Eldorado for the next calendar year, the Company submits the capital budget for approval by the Governor-in-Council upon recommendation of the Minister of Energy, Mines and Resources, the Minister of Finance, and the President of the Treasury Board. This budget is subsequently tabled in Parliament.

2. Accounting Policies

A statement of significant accounting policies of the Company is provided on page 19.

3. Other Income and Expense

	1981	1980	1979
		(Thousands of dollars)	
Income —			
Interest on investments	$ 714	$ 465	$3,840
Gain on settlement of			
Eldor-UCAN concentrate loan	31,581	5,763	—
Other non-operating items	723	999	987
Expenses —			
New refinery site selection costs	—	(4,141)	—
Miscellaneous	(326)	(548)	(147)
	$32,692	$2,538	$4,680

4. Income Taxes and Mineral Royalties

The provisions for income taxes and mineral royalties were as follows:

	1981	1980	1979
		(Thousands of dollars)	
Income taxes — deferred	$(1,365)	$1,864	$1,495
Mineral royalties	1,003	2,070	4,200
	$(362)	$3,934	$5,695

The reconciliation between the federal statutory income tax rate and the Company's effective rate of income tax and mineral royalties is as follows:

Percentage of Pre-tax Earnings	1981	1980	1979
Federal statutory income tax (recovery) rate	(48.3)	48.3	46.0
Resource and depletion allowances	(110.5)	(33.2)	(24.4)
Adjusted income tax (recovery) rate	(158.8)	15.1	21.6
Inventory allowance	(22.1)	(9.5)	(10.0)
Research allowance	—	(3.7)	(6.9)
Non-deductibility of income debenture interest	104.5	27.4	20.5
Other	4.3	4.9	(0.6)
Effective income tax (recovery) rate	(72.1)	34.2	24.6
Mineral royalties	53.0	38.1	68.9
Net effective tax (recovery) rate	(19.1)	72.3	93.5

Provincial mineral royalties, which are not deductible for federal income tax purposes, are calculated in part as a percentage of revenues and consequently the effective rate can fluctuate drastically from year to year.

As a result of an audit of taxation years prior to 1977, the Company received reassessment notices in 1978 increasing income for tax purposes and decreasing tax loss carry forwards by approximately $4.0 million. The Company filed a Notice of Objection with respect to these reassessments. However, to date no formal decision has been reached.

At December 31, 1981 the Company had unrecorded income tax debits of approximately $58 million to be applied

against future taxable earnings. These debits arise from depreciation costs exceeding capital cost allowance claims and from expenditures on assets qualifying for an earned depletion tax deduction.

5. Extraordinary item — shutdown of Beaverlodge Operation

On November 24, 1981 the Board of Directors by resolution authorized management to close the Beaverlodge mine and mill effective June 30, 1982. Low market prices, increasing production costs and declining ore grade have combined to make this operation no longer economically viable.

Accordingly, an extraordinary loss has been recorded in the 1981 financial statements to reflect the shutdown decision. The loss provides for the write-off of Beaverlodge assets (net of estimated salvage value), the costs of decommissioning the mine and terminating employees, and the phasing out of the mine operations (net of realizable value of concentrates produced).

6. Mine Concentrates on Loan

Mine concentrates on loan are recorded at current inventory cost, which is lower than net realizable value. These costs are classified as either current or non-current assets, according to scheduled or estimated repayments. The mine concentrates on loan are secured by a fixed and floating charge over the borrower's assets.

Income from the mine concentrates on loan is included in revenues in the amount of $2.0 million (1980-$2.5 million; 1979-$6.5 million).

7. Property and Equipment

	1981	1980	1979
		(Thousands of dollars)	
Land	$ 3,725	$ 3,642	$ 2,353
Buildings	15,875	69,731	55,866
Equipment	72,239	143,896	144,205
Construction in progress	96,582	33,711	16,012
Aircraft under capital lease	16,729	15,927	—
	205,150	266,907	218,436
Less accumulated depreciation	44,218	98,113	85,934
	$160,932	$168,794	$132,502
Depreciation for year	$ 15,269	$ 13,191	$ 8,574

8. Deferred Charges

	1981	1980	1979
		(Thousands of dollars)	
Mine development	—	$ 4,500	$ 5,523
Refinery preproduction	$ 1,773	2,052	935
Unamortized financing costs	3,377	—	—
	$ 5,150	$ 6,552	$ 6,458
Amortization for year	$ 2,831	$ 2,302	$ 1,404

9. Long-Term Debt

	1981	1980	1979
		(Thousands of dollars)	
i) From Canada			
8⅜% notes due 1978-80	$ —	$ —	$ 605
5 7/16% note due 1980	—	—	11,548
4 15/16% notes due 1981	—	7,762	7,762
6½% notes due 1982	10,062	10,062	10,062
5⅞% notes due 1983	5,082	5,082	5,082
6⅜% notes due 1984	10,093	10,093	10,093
ii) Other			
Income debentures due 1983, at floating rate approximately one-half of prime lending rate	40,000	40,000	40,000
Promissory notes due 1985, at floating rate ⅜% below prime lending rate	30,000	30,000	—
Capitalized lease expiring 1992, at floating monthly payments 2%-4% below prime lending rate	15,333	15,615	—
Notes due 1986, at 13¼% ($U.S.-50 million)	59,428	—	—
Loan due 1991, at 7% (100 million Swiss francs)	56,763	—	—
Notes due 1988, at interest rate to yield 9.19% (10,108 billion Japanese yen)	51,562	—	—
iii) Mine concentrates borrowed	—	94,729	110,094
Sub-total	$278,323	$213,343	$195,246
Less: Current portion of long-term debt listed above	12,400	8,353	12,153
Total	$265,923	$204,990	$183,093

If translated into Canadian dollars at year-end rates of exchange, long-term debt would increase by $12,545,000 in 1981 (1980 and 1979-nil). This is not necessarily indicative of the amounts which will be repaid when the obligations are retired.

9. a) Loans from Canada and Other

The long-term debt payments due in each of the next five years are as follows:
1982-$12,400,000 1983-$47,146,000 1984-$11,844,000 1985-$31,546,000 1986-$64,133,000

9. b) Mine Concentrates Borrowed

	1981	1980	1979
		(Thousands of dollars)	
Due by Eldor Resources Limited	$ —	$ 94,729	$110,094

In conjunction with the purchase of its interest in the Key Lake joint venture, Eldor Resources Limited arranged with Uranium Canada, Limited (UCAN) for a loan of two million pounds of uranium mine concentrates (U_3O_8) from the Government of Canada stockpile. This material, of which 730,600 pounds were drawn in 1978 and 1,269,400 pounds in 1979, was sold at world market prices (deemed loan value) to fund the Key Lake acquisition. During 1981 the Government of Canada stockpile and the remaining loan liability of 1.5 million pounds U_3O_8 were transferred from UCAN to Eldorado in exchange for the issuance of common and preferred shares. As a result, the liability, valued at $76.6 million, and the related accrued interest, valued at $20.3 million, were eliminated.

Prior to this stockpile transfer, all interest, as computed on the deemed loan value of borrowed concentrates, was being accrued and recorded as an increase to the investment in joint venture. In 1980, 500,000 pounds of the loan was repaid to UCAN, resulting in a gain which represented the excess of the original average unit loan value over U_3O_8 inventory cost. In 1981, upon transfer of the stockpile, a further gain resulted with respect to the remainder of the loan. These gains are reflected in the respective years as "Other Income" in the statement of consolidated earnings and retained earnings.

10. Sales Contracts

At December 31, 1981 the Company had commitments for the delivery of 9,423,000 pounds of uranium mine concentrates from 1982 to 1990.

11. Share Capital

	1981	1980	1979
		(Thousands of dollars)	
Authorized:			
An unlimited number of common shares of no par value			
1,600,000 preferred shares (1980 and 1979—nil)			
Issued and fully paid:			
Common—1,452,880 shares to Canada (1980 and 1979—70,500 shares)	$106,586	$6,586	$6,586
Preferred—1,600,000 shares to Canada (1980 and 1979—nil)	200,000	—	—
	$306,586	$6,586	$6,586

During 1981 the Company cancelled 70,500 common shares and issued 1,452,880 new common shares and 1,600,000 redeemable preferred shares.

The preferred shares have an assigned value of $125 per share. No dividends are payable until March 31, 1986. At that date cumulative dividends, if declared, are payable at $25 per share. At March 31, 1987 cumulative dividends, if declared, are payable at $50 per share. Thereafter, the preferred shares bear a cumulative dividend rate of $12.50.

12. Commitments and Contingencies

a) The Company has entered into long-term leases on certain properties up to 1986 with annual rental payments averaging $499,000.

b) The Company has a contributory, defined benefit pension plan covering all of its regular full-time employees.

The pension fund is periodically (at least every three years) revaluated by the consulting actuary. Assets in the pension fund, which is administered by independent trustees, are essentially valued at book values, although in the case of equities, the book value is adjusted by 20 percent of any unrealized gain or loss, provided any gain does not result in the particular equity being in excess of 90% of its market value. In the case of bonds, any premium or discount from par is amortized over the lifetime of the bond.

Liabilities and funding requirements are determined by the consulting actuary on the Entry Age Normal Cost method. Under this method, the normal cost to the Company is calculated as a level annual percentage of payroll which, when taken together with the members' required contributions and the assumed earnings rate thereon, would be sufficient to fund the expected benefits for each member. The assumed annual rate of return used in determining the actuarial present values of accumulated plan benefits is 5 percent.

The last actuarial valuation of the plan, as of December 31, 1980, revealed that the plan had a surplus of $2,972,000 as of that date. The previous actuarial valuation as of December 31, 1979 had revealed an unfunded liability of $248,000.

c) Through its wholly-owned subsidiary Eldor Resources Limited, the Company is a one-sixth partner in a joint venture that discovered and has commenced developing the orebodies near Key Lake, Saskatchewan. In accordance with the joint venture agreement, Eldor is obligated to meet its proportionate share of the commitments of the joint venture. At December 31, 1981, Eldor's share of the estimated cost to commence production is approximately $68 million.

d) The Company is expanding its refining and conversion capacity to meet projected increases in world demand for uranium. All uranium refining operations will be consolidated at a new Blind River UO_3 plant, and all UO_2 and UF_6 conversion activities will take place at expanded facilities at Port Hope. This will enable the Company to phase out its 25-year-old UO_3 plant at Port Hope. The capital cost of the program to be incurred from 1981 is projected at approximately $184 million. The plants are expected to be ready for operation by late 1983. The Company has obtained site approval for both facilities and construction approval for the Blind River UO_3 plant from the Atomic Energy Control Board and is awaiting construction approval for the Port Hope UF_6 plant.

The Company has entered into contracts in connection with its expansion program and as at December 31, 1981, has made commitments of approximately $34 million.

e) In connection with its operation, the Company is the defendant in certain litigation. It is the opinion of management, based on legal counsel, that this will not result in any material liabilities to the Company.

13. Supplementary Information

a) Subsequent to December 31, 1981 the Company has entered into a line-of-credit financing agreement with a group of Japanese lenders. This agreement provides for the borrowing of up to 5 billion Japanese yen at an interest rate of .2% above the Japanese long-term prime lending rate (currently 8.6%). The funds must be drawn down no later than July 15, 1982 and repaid in ten equal semi-annual instalments commencing July 15, 1987.

b) During 1981 the Company paid sales commissions to Marubeni Corporation, who have been retained as exclusive Japanese sales agents since 1960.

c) Interest costs of $8.5 million paid in 1981 have been capitalized under property and equipment and investment in joint venture (1980-$2.8 million; 1979-nil). Deferred interest of $2.1 million recorded in 1981 has been capitalized under investment in joint venture (1980-$10.2 million; 1979-$7.9 million).

d) Certain account descriptions have been reclassified from prior years for comparative purposes.

14. Segmented Information

a) Industry Segment:
The Company is of the opinion that virtually all its sales revenues are in the industry segment identified as the nuclear fuel industry.

b) Sales:
Sales revenues of the Company are derived primarily from sales to foreign and domestic electric utilities as follows:

	1981	1980	1979
		(Thousands of dollars)	
Export Sales	$55,135	$77,738	$ 48,893
Domestic Sales	16,753	13,378	62,605
Total Sales	$71,888	$91,116	$111,498

Auditor's Report

The Honourable Marc Lalonde,
P.C., Q.C., M.P.
Minister of Energy, Mines and Resources
Ottawa, Ontario

We have examined the statement of consolidated financial position of Eldorado Nuclear Limited as at December 31, 1981 and the statements of consolidated earnings and retained earnings and changes in consolidated financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements give a true and fair view of the financial position of the Company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, proper books of account have been kept by the Company, the financial statements are in agreement therewith and the transactions that have come under our notice have been within its statutory powers.

Coopers & Lybrand

Ottawa, Ontario
February 5, 1982

Glossary of Financial Terms

Amortization
Application of a deferred charge to the expense of a business proportionately over a fixed period.

Asset*
Anything of value owned by a company or individual.

Capital*
(1) What is owned by a company or individual minus what is owed at a specified time.

(2) Total investments of owners (shareholders) of a business at a given time, which may be calculated by subtracting from the total assets all the liabilities of those other than the owners.

Capital Employed
All non-current assets of a business plus working capital.

Capital Expenditure**
An expenditure to acquire or add to a capital asset; an expenditure yielding enduring benefits.

Commitment
An anticipated expenditure, evidenced by a contract or purchase order given to an outsider, or a definite intention to assume a financial obligation at a future date.

Consolidation*
A parent plus one or more subsidiary companies which present financial reports for the group as a whole, not as separate entities.

Contingent Liability**
A legal obligation that may arise in the future out of past and/or present circumstances provided certain developments occur.

Corporation*
Legal entity or corporate person with authority to operate under provincial or federal statutes, usually formed to make a profit. Owners are liable for the debts only up to the amount of their investment.

Current Asset**
Unrestricted cash or other asset that, in the normal course of operations, is expected to be converted into cash or consumed in the production of income within one year or within the normal operating cycle where that is longer than a year.

Current Liability**
A liability whose regular and ordinary liquidation is expected to occur within one year or within the normal operating cycle where that is longer than a year. A liability otherwise classified as current but for which provision has been made for payment from other than current resources should be excluded.

Debt to Equity Ratio
The ratio of long-term debt to Shareholders' equity.

Deferred Charge**
(1) A long-term expense prepayment; an expenditure, other than a capital expenditure, the benefit of which will extend over a period of years from the time of incurrence and meanwhile is carried forward to be charged to expense over a period of years.

(2) Balance of amounts paid for goods or services received for which the payee has no further obligation and meanwhile is carried forward to be charged to expense in future years.

Deferred Taxes**
The accumulated amounts by which income taxes charged in the accounts have been increased (accumulated tax allocation credit) or decreased (accumulated tax allocation debit) as a result of timing differences.

Depreciation*
Gradual reduction of the cost of a fixed asset and gradual application of this cost to the expense of a business over the useful life of the asset.

Earnings
Total revenue less total expenditures for a period of time calculated in accordance with generally accepted accounting principles. Net earnings refers to earnings after deduction of related income taxes.

Earnings Per Share**
The portion of earnings for a period attributable to a share of issued capital of a corporation. The calculation of earnings per share is relevant only with respect to shares whose rights to participate in the earnings have no upper limit.

Equity*
(1) A right or claim to the assets of a company. Both owners and creditors have equity in a business.

(2) Amount that a business is worth beyond what it owes.

Extraordinary item**
A gain, loss or provision for loss which results from occurrences, the underlying nature of which is not typical of the normal business activities of the enterprise, is not expected to occur regularly over a period of years, and is not considered as a recurring factor in any evaluation of the ordinary operations of the enterprise.

Financial Position**
The state of affairs of an organization represented by the assets, liabilities and owners' equity at any specified time.

Gross Profit**
The difference between cost and selling price; excess of net sales over the cost of goods sold.

Gross Profit Margin**
The ratio of gross profit to revenue

Interest Coverage Ratio**
The ratio of net income before interest on long-term liabilities and income taxes to interest on long-term liabilities.

Inventory**
(1) An itemized list of goods; the annual or other periodic account of stock taken in a business; the articles that are inventoried.

(2) Items of tangible property which are held for sale in the ordinary course of business, or are in the process of production for such sale, or are to be currently consumed in the production of goods or services to be available for sale.

Investment*
Funds committed to something tangible or intangible in order to receive a return either in income or use.

Liability*
(1) An amount owed to another, not necessarily due to be paid immediately.

(2) An obligation to remit money or services at a future date.

Long-Term Liability**
A liability which, in the ordinary course of business, will not be liquidated within one year or within the normal operating cycle where that is longer than a year.

Operating Profit
The excess of the revenues of a business enterprise over the expenses pertaining thereto, excluding "other" income and expense since they are derived from sources other than its regular activities.

Operating Profit Margin
The ratio of operating profit to revenue.

Prepaid Expense**
(1) A short-term expense prepayment; an expenditure, other than an outlay for inventory or a capital expenditure, which is expected to yield its benefits in the

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near future and meanwhile is carried forward to be charged to expense in the near future.

(2) Balance of amounts paid for services not yet received from the payee and which meanwhile is carried to be charged to expense in future years.

Property and Equipment
Property or equipment of a tangible nature owned by a business for use in its operations (not for sale), which is expected to have a useful life of several fiscal periods. Property and equipment, net, refers to property and equipment at cost less accumulated depreciation.

Ratio*
Relative size, expressed as the number of times one quantity is contained in another.

Retained Earnings*
Portion of a company's aggregate income since incorporation which remains invested in the operation after distribution of dividends to shareholders.

Return on Equity
The ratio of net earnings to shareholder's equity.

Return on Capital Employed
The ratio of net earnings to capital employed.

Revenue*
Inflow of cash or receivables from customers or clients in return for goods, services, or interest on investments.

Share Capital**
Authorized Capital – The number and par value, if any, of shares of each class of capital stock that a company may issue in accordance with its instrument of incorporation.

Issued Capital – The portion of authorized capital stock for which shares have been subscribed, allotted and entered in the share register.

Subsidiary*
Company which is controlled by another company usually through its ownership of the majority of shares.

Supplies
Materials which are consumed in the operations of a business but do not become part of the physical content of any finished product and are not held for sale in the ordinary course of business.

Working Capital**
The excess of current assets over current liabilities.

Working Capital Ratio**
The ratio of current assets to current liabilities.

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5-Year Summary of Operations

	1981	1980	1979	1978	1977
Income and Expenses ($000)					
Revenue	$ 71,888	$ 91,116	$111,498	$124,046	$ 68,623
Gross Profit (loss)	(5,744)	23,097	21,953	38,718	*27,460
Operating Profit (loss)	(18,962)	9,758	7,524	28,105	15,662
Net earnings (loss)	(129,147)	1,506	398	17,618	6,933
Net earnings (loss) per common share** ($)	(88.89)	21.36	5.66	249.90	98.34
Financial Position at Year End ($000)					
Working capital (deficiency)	$ (33,301)	$ (8,310)	$ 18,376	$ 8,381	$ 66,941
Net property and equipment	160,932	168,794	132,502	85,013	54,940
Total assets	618,377	359,119	325,965	314,882	183,775
Long-term debt	265,923	204,990	183,093	130,366	96,414
Shareholder's equity	252,463	81,610	80,104	79,706	62,088
Shareholder's equity per common share** ($)	173.77	1,157.59	1,136.23	1,130.58	880.68
Capital Outlays ($000)					
Capital expenditures	$ 75,111	$ 53,949	$ 56,296	$ 38,196	$ 20,063
Depreciation and amortization	18,100	15,493	9,978	8,400	6,040
Significant Financial Ratios					
Gross profit margin	(8.0%)	25.3%	19.7%	31.2%	40.0%
Operating profit margin	(26.4%)	10.7%	6.7%	22.7%	22.8%
Return on equity	(51.2%)	1.8%	0.5%	22.1%	11.2%
Return on capital employed	(24.7%)	0.5%	0.1%	7.8%	4.2%
Debt to equity ratio	1.1	2.5	2.3	1.6	1.6
Interest coverage ratio	0.6	1.5	1.3	5.0	2.7
Working capital ratio	0.7	0.9	1.4	1.1	4.4
Selected Operating Statistics					
Number of employees at year-end	1,653	1,737	1,610	1,499	1,288
Ore milled (000 tons)	317	322	312	307	256
U_3O_8 produced (000 lbs.)	975	1,100	1,006	1,283	1,185
UF_6 processed (000 lbs. U)	10,256	9,361	9,890	7,096	8,525
UO_2 processed (000 lbs. U)	2,950	2,127	2,919	2,129	1,855

*Restated for comparative purposes.

**Based on 1,452,880 common shares in 1981, and 70,500 shares in all other years.

ELDORADO
ELDORADO NUCLEAR LIMITED